

WEEKLY ECONOMIC DIGEST

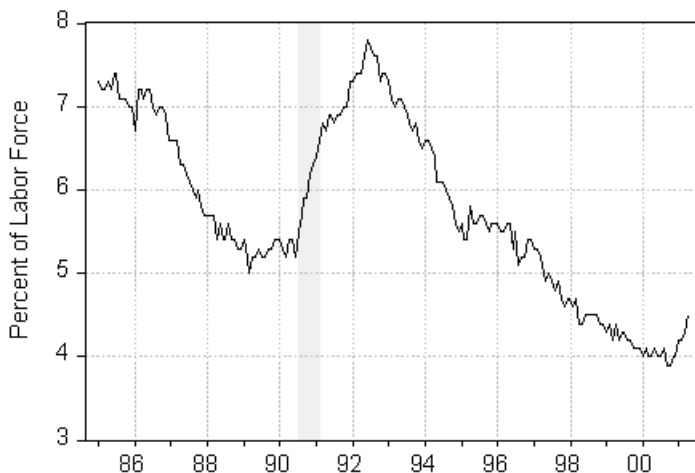
JOINT ECONOMIC COMMITTEE—DEMOCRATIC STAFF
SENATOR JACK REED (RI)—RANKING MEMBER

May 8, 2001

The Employment Picture Darkens

Civilian Unemployment Rate

Monthly data: January 1985 — April 2001
(Shaded area denotes recessionary period)



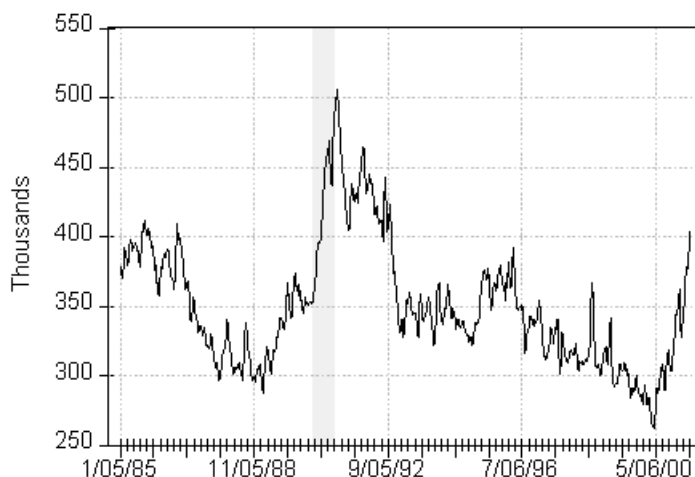
The civilian unemployment rate rose to 4.5 percent in April, as total nonfarm employment fell by 223,000 jobs. Most analysts had been expecting a modest increase in employment, not the largest payroll decline since February 1991.

Since last October, the unemployment rate has risen 0.6 percentage points, *the largest half-year increase since mid-1992*. Over the past six months, the unemployment rate has risen 0.8 percentage points for blacks and 1.5 percentage points for Hispanics.

Although manufacturing continued to experience employment declines, average weekly hours worked did not fall. The purchasing managers' survey for April (NAPM) suggests that manufacturing may have hit bottom.

Initial Claims for Unemployment Insurance

Four-week moving average of weekly data: January 1985 — April 2001
(Shaded area indicates recessionary period)



But the NAPM survey for nonmanufacturing is now indicating that the slowdown is spreading outside of manufacturing. Consistent with this, jobs in service-producing industries declined by 59,000 in April, led by a hefty drop of more than 100,000 jobs reported by establishments that supply other businesses with temps.

Initial claims for unemployment insurance have skyrocketed in recent weeks, justifying fears of further deterioration in the immediate outlook for employment.

Although it is still quite possible for the economy to avoid a full-fledged recession, the April employment report didn't improve the odds. Analysts are now expecting the Fed to cut rates by at least half a percent.

ECONOMY AT A GLANCE	Apr	Mar	Feb	Jan	2001 Qtr 1	2000 Qtr 4	2000 Qtr 3	2000 Qtr 2	2000	1999
Economic Activity										
Real GDP (% growth)					2.0	1.0	2.2	5.7	5.0	4.2
Industrial Production (% growth)		5.1	-4.0	-7.1	-4.8	-0.9	3.5	7.9	5.6	4.1
Capacity Utilization (Level, %)		79.4	79.3	79.9	79.5	81.3	82.4	82.6	82.1	81.2
Civilian Unemployment Rate (Level, %)	4.5	4.3	4.2	4.2	4.2	4.0	4.0	4.0	4.0	4.2
Housing Starts (Thousands)		1613	1634	1671	1639	1557	1528	1605	1605	1676
Real Disposable Personal Income (% growth)		5.2	2.7	0.2	2.0	0.7	2.6	3.7	2.8	3.2
Retail Sales (% growth)		-3.0	-0.6	17.0	4.5	0.4	5.6	1.9	7.8	9.1
Personal Saving Rate (Level, %)		-0.8	-1.0	-1.3	-1.0	-0.7	-0.2	0.3	-0.1	2.2
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		0.7	3.5	7.8	4.2	2.9	3.5	3.0	3.4	2.2
Core CPI-U Inflation (% growth)		2.6	4.0	4.0	3.2	2.4	2.5	2.7	2.4	2.1
Compensation per Hour (% growth)					4.6	3.5	3.8	4.2	4.3	3.2
Output per Hour (% growth)					-.1	2.0	3.0	6.3	4.3	2.6
Financial Markets										
T-Bill Rate, 3-month (Level, %)	3.9	4.4	4.9	5.2	4.8	6.0	6.0	5.7	5.8	4.6
T-Note Rate, 10-years (Level, %)	5.1	4.9	5.1	5.2	5.1	5.6	5.9	6.2	6.0	5.6
Federal Funds Rate (Level, %)	4.8	5.3	5.5	6.0	5.6	6.5	6.5	6.3	6.2	5.0
Dow Jones Industrial Avg (Index Level)	10235	10081	10775	10683	10513	10586	10882	10703	10735	10465
SOURCES:	Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor. Italicized values are estimates by the Democratic Staff of the Joint Economic Committee.									
NOTES:	Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted annual rates. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate the secondary market rate.									

Major Economic News Due This Week:

- Retail Sales, April [Release: Friday, May 11, 2001]
- Producer Price Index, April [Release: Friday, May 11, 2001]